

KENTUCKY ECONOMIC INDICATORS

September Indicators as of December 1, 2003

KY Composite Index of Leading Indicators increased 9.3 percent for September.

- The Leading Index rose for the fifth consecutive month.
- The Leading Index rose by 1.3 percent over the same month last year.
- Component indicators were mixed gainers over losers 3:2.
 - + KY Labor Intensity Index increased 1.9 percent.
 - + The Conference Board's US Leading Index increased slightly but rounds to 0.0 percent.
 - The Index of KY Initial UI Claims decreased 2.2 percent.
 - US Retail Sales decreased 4.6 percent.
 - + Louisville HWI increased by 26 points to 73.

KY Composite Index of Coincident Indicators increased 2.6 percent for September.

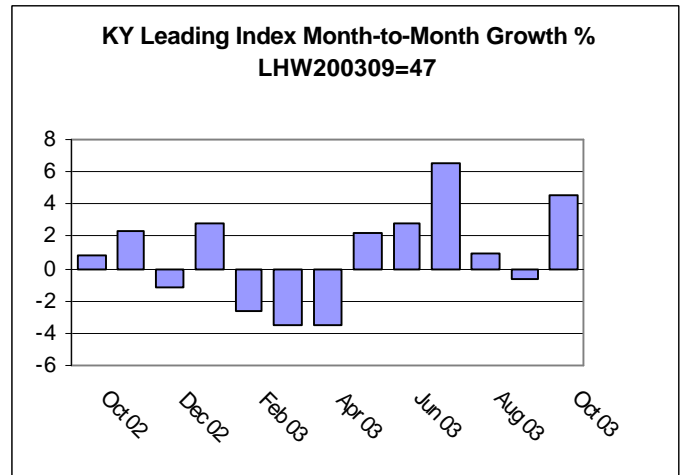
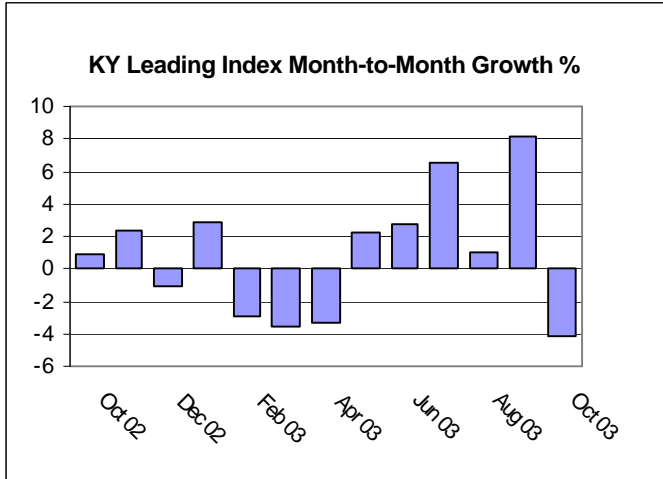
- The Coincident Index increased for the fourth time this year.
- Year over year change was negative for sixth consecutive month by 0.1 percent.
- Component indicators were all positive this month.
 - + KY Total Nonagricultural Employment increased by 2.6 percent.
 - + US Personal Income Less Transfers increased slightly but rounds to 0.0 percent.
 - + US Industrial Production Index increased 6.0 percent.

The Kentucky Leading Index was positive for the fifth consecutive month, driven almost entirely by the pronounced increase in the Louisville Help Wanted Index. This is an extraordinary increase, and the cause for this is being examined in more detail. These outliers sometimes occur when additional advertising space or inserts are placed in newspapers for short periods of time. These extra advertisements are then added to the normal sections of ad space and cause an unusual jump in the Help Wanted Index. If the Louisville Help Wanted Index was flat for September, then the KY Leading Index would have grown by 0.1 percent month-over-month. Year-over-year growth was positive for the second straight month for the Kentucky Leading Index. It would have remained positive even without the jump in the Louisville Help Wanted Index.

The Kentucky Labor Intensity Index, which carries the most weight in the Leading Index, was positive for the third time this year. This is encouraging because the series has been in a steady decline for the last three years. Employment across all five manufacturing sectors in the Kentucky Labor Intensity Index was relatively flat. Average weekly hours in four of the five industries were up. Average weekly hours have been up for the last two months. It is common during the early stages of a recovery for average weekly hours to rise before employment goes up. This is because employers take a "wait and see" position with the economy and employ their existing staff for longer hours, and only after consistent improvements in commodity demand will they then hire new labor.

Employment is the other noteworthy change this month, as nonagricultural and manufacturing employment are up modestly, 2.6 and 1.2 percent respectively. This is only the third positive month this year for both sectors. Both are still down by roughly one percent over the same time last year.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.state.ky.us.

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SELECTED KENTUCKY ECONOMIC INDICATORS SEASONALLY ADJUSTED

2002

2003

	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
KY Leading Index (1992=100)	110.5	110.6	110.8	110.7	110.9	110.7	110.3	110.0	110.2	110.5	111.0	111.1	111.9
% Chg Previous Month SAAR	-4.9	1.5	1.8	-1.1	2.9	-2.9	-3.5	-3.4	2.3	2.7	6.4	0.8	9.3
% Chg Same Month Last Year	0.5	0.4	0.6	0.3	0.4	0.0	-0.4	-0.5	-0.5	-0.6	-0.1	0.2	1.3
KY Coincident Index (1992=100)	127.5	127.3	127.5	127.3	127.7	127.6	127.2	126.9	126.9	126.8	127.2	127.2	127.5
% Chg Previous Month SAAR	-0.5	-1.7	1.1	-1.9	4.2	-0.9	-3.8	-2.9	0.0	-0.6	3.9	-0.3	2.6
% Chg Same Month Last Year	0.1	0.4	0.7	0.5	0.6	0.5	0.0	-0.2	-0.4	-0.8	-0.2	-0.3	-0.1
KY Nonag Employment (000s)	1785.6	1786.0	1786.9	1781.4	1793.7	1786.5	1783.4	1774.9	1770.1	1766.1	1769.3	1765.1	1769.0
% Chg Previous Month SAAR	-0.3	0.3	0.7	-3.7	8.7	-4.8	-2.0	-5.6	-3.2	-2.7	2.2	-2.8	2.6
% Chg Same Month Last Year	-0.5	-0.3	-0.2	-0.2	0.1	0.1	-0.2	-0.7	-0.9	-1.1	-0.8	-1.2	-0.9
KY Mfg Employment (000s)	273.2	273.5	273.0	272.5	273.0	272.6	272.3	269.8	268.7	268.1	270.2	268.6	268.8
% Chg Previous Month SAAR	-5.2	1.3	-2.4	-1.9	1.9	-1.6	-1.4	-10.5	-4.5	-2.7	9.7	-6.9	1.2
% Chg Same Month Last Year	-4.4	-3.7	-3.4	-3.2	-2.5	-2.3	-2.2	-2.9	-2.8	-2.8	-1.7	-2.1	-1.6
KY Unemployment Rate (%)	5.4	5.4	5.5	5.5	5.3	5.7	5.7	5.8	5.7	5.9	6.1	5.8	5.9
KY Index of Initial UI Claims	99.4	99.7	100.6	98.7	100.3	99.7	98.8	98.4	99.0	99.1	99.8	100.2	100.0
% Chg Previous Month SAAR	-11.8	4.7	10.4	-19.8	21.2	-6.6	-10.6	-5.0	7.8	1.1	9.2	4.0	-2.2
% Chg Same Month Last Year	0.9	3.0	2.6	-0.6	0.3	-0.7	-0.8	-0.5	-0.7	-1.2	-0.9	-0.2	0.6
KY Labor Intensity Index (1992=100)	105.2	105.3	105.0	105.3	105.1	104.9	104.2	104.4	104.2	104.2	104.4	104.3	104.5
% Chg Previous Month SAAR	0.3	0.3	-2.7	3.0	-2.2	-1.5	-7.7	1.3	-1.6	-0.6	3.0	-1.2	1.9
% Chg Same Month Last Year	-0.4	-0.2	-0.3	-0.1	-0.1	-0.3	-1.0	-0.8	-0.8	-1.0	-0.9	-0.8	-0.7
Louisville HWI (1992=100)	58.0	58.0	57.0	53.0	55.0	60.0	58.0	50.0	47.0	49.0	50.0	47.0	73.0
% Chg Previous Month SAAR	-33.4	0.0	-18.8	-58.2	56.0	184.1	-33.4	-83.2	-52.4	64.9	27.4	-52.4	19610.6
% Chg Same Month Last Year	-20.5	-10.8	-9.5	-8.6	-8.3	0.0	-13.4	-18.0	-28.8	-31.0	-21.9	-21.7	25.9
GF Total Receipts (\$ mill)	655.5	570.8	527.2	642.1	635.4	419.7	438.0	696.4	416.4	617.6	470.9	459.6	628.9
% Chg Same Month Last Year	6.1	13.0	1.3	5.4	14.4	-3.1	1.8	-0.5	-3.1	1.6	8.2	-5.9	-4.1
GF Sales & Use Receipts (\$ mill)	201.2	217.5	189.0	192.5	233.3	150.6	165.6	199.7	190.2	191.6	208.2	197.3	200.4
% Chg Same Month Last Year	6.1	10.7	-0.7	-1.2	-1.2	-3.6	-1.3	0.1	0.3	0.1	3.2	-14.7	-0.4
GF Income Tax Receipts (\$ mill)	279.0	237.7	217.1	227.9	290.9	204.7	117.0	354.4	158.2	267.9	206.6	224.2	273.0
% Chg Same Month Last Year	-2.9	10.2	4.0	-3.2	28.9	-3.7	-0.6	-5.8	1.8	-1.5	10.1	10.0	-2.2

SELECTED U.S. ECONOMIC INDICATORS
SEASONALLY ADJUSTED

2002

2003

	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
US Leading Index (1982=100)	110.4	110.4	111.0	111.2	111.2	110.6	110.5	110.5	111.7	112.1	112.8	113.2	113.2
% Chg Previous Month SAAR	-5.3	0.0	6.7	2.2	0.0	-6.3	-1.1	0.0	13.8	4.4	7.8	4.3	0.0
% Chg Same Month Last Year	2.2	1.8	1.6	0.6	0.2	-0.4	-0.5	-0.3	0.3	0.8	1.6	2.1	2.5
US Coincident Index (1992=100)	115.2	115.2	115.3	115.2	115.5	115.1	115.1	115.0	115.1	115.3	115.6	115.6	115.8
% Chg Previous Month SAAR	-1.0	0.0	1.0	-1.0	3.2	-4.1	0.0	-1.0	1.0	2.1	3.2	0.0	2.1
% Chg Same Month Last Year	0.4	0.4	0.9	0.7	0.8	0.6	0.5	0.3	0.3	0.2	0.3	0.3	0.5
US Nonag Employment (Mil.)	130.3	130.4	130.4	130.2	130.4	130.2	130.1	130.1	130.0	129.9	129.8	129.9	130.0
% Chg Previous Month SAAR	0.6	1.1	0.0	-1.9	1.5	-1.1	-1.4	-0.2	-0.7	-0.8	-0.5	0.3	1.2
% Chg Same Month Last Year	-1.0	-0.6	-0.4	-0.4	-0.2	-0.2	-0.3	-0.3	-0.3	-0.4	-0.3	-0.3	-0.2
US Unemployment Rate (%)	5.7	5.8	5.9	6.0	5.7	5.8	5.8	6.0	6.1	6.4	6.2	6.1	6.1
US Initial Claims for UI (000s)	416.9	410.6	389.0	410.5	386.7	408.6	423.3	447.2	431.6	425.9	398.5	402.8	404.8
% Chg Previous Month SAAR	75.6	-16.7	-47.7	90.7	-51.2	93.7	52.8	93.3	-34.7	-14.7	-55.0	13.7	6.1
% Chg Same Month Last Year	-7.1	-15.5	-14.2	2.0	-3.6	5.0	0.8	3.4	5.8	8.6	3.0	1.3	-2.9
US Industrial Production Index	111.3	111.0	111.2	110.6	111.2	111.6	110.8	110.1	110.0	110.0	110.8	111.0	111.5
% Chg Previous Month SAAR	-1.7	-3.2	1.4	-5.7	6.2	4.6	-8.4	-7.1	-0.8	-0.4	9.6	1.9	6.0
% Chg Same Month Last Year	1.1	1.0	1.6	1.4	1.3	1.5	0.4	-0.6	-0.8	-1.5	-0.6	-0.4	0.2
US Pers. Inc. Less Trans. (bil 92\$)	6,881.0	6,863.9	6,874.2	6,893.8	6,887.1	6,873.3	6,860.4	6,882.2	6,908.3	6,917.1	6,926.5	6,928.6	6,928.4
% Chg Previous Month SAAR	0.3	-2.9	1.8	3.5	-1.2	-2.4	-2.2	3.9	4.6	1.5	1.6	0.4	0.0
% Chg Same Month Last Year	0.0	0.8	0.9	0.6	0.6	0.2	-0.1	0.5	0.5	-0.1	0.7	0.7	0.7
CPI, All Urban (1982-84=100)	180.9	181.2	181.4	181.6	182.2	183.3	183.9	183.3	183.3	183.6	183.9	184.5	185.0
% Chg Previous Month SAAR	2.7	2.0	1.3	1.3	4.0	7.5	4.0	-3.8	0.0	2.0	2.0	4.0	3.3
% Chg Same Month Last Year	1.6	2.0	2.3	2.4	2.6	3.0	3.0	2.2	2.1	2.1	2.1	2.2	2.3
US Retail Sales (bil 84\$)	298.2	300.0	301.7	305.8	307.0	302.7	309.6	308.7	310.2	313.1	317.5	320.7	319.4
% Chg Previous Month SAAR	-15.5	7.5	6.8	17.6	4.9	-15.6	30.7	-3.4	6.1	11.9	18.1	12.7	-4.6
% Chg Same Month Last Year	4.8	-0.6	2.7	4.3	5.0	3.0	5.4	3.6	5.6	5.1	5.5	6.0	7.1
Manufacturing & Trade Sales (000s)	859.0	861.4	867.3	870.7	875.3	857.7	868.0	864.1	870.2	880.1	894.1	890.0	*895.8
% Chg Previous Month SAAR	-11.0	3.4	8.5	4.8	6.6	-21.7	15.3	-5.2	8.8	14.5	20.8	-5.4	8.1
% Chg Same Month Last Year	4.6	1.4	2.5	2.5	2.1	1.0	2.3	0.8	1.6	2.4	3.0	2.6	4.3
US Consumer Sentiment (1966=100)	79.9	73.1	78.5	80.8	72.8	69.9	69.6	79.3	91.4	86.4	83.7	82.5	80.8
% Chg Previous Month AR	-9.9	-65.6	135.2	41.4	-71.4	-38.6	-5.0	378.6	449.6	-49.1	-31.7	-15.9	-22.1
% Chg Same Month Last Year	8.7	-3.2	2.5	-1.8	-20.3	-19.8	-24.9	-11.0	-1.4	-1.7	3.3	2.4	1.1
Ave. Prime Interest Rate (%; NSA)	4.8	4.8	4.4	4.3	4.3	4.3	4.3	4.3	4.3	4.2	4.0	4.0	4.0